



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

April 29, 1998

G. William Lamb, State Director
Bureau of Land Management
Utah State Office
P.O. Box 45155
Salt Lake City, Utah 84145

Re: Reclamation Surety Bond, B.E.G. Resources, LLC/Western Minerals, Travertine #1 Mine,
M/023/042, Juab County, Utah

Dear Mr. Lamb:

Hand delivered with this letter is a cashier's check in the amount of \$14,000.00 made out jointly to the Division of Oil, Gas and Mining and the Bureau of Land Management. This has been submitted to us by Mr. Neal Jensen, owner /operator of the Travertine #1 Mine in Juab County. He has submitted this check as an interim bond (@ \$2,000/acre of disturbance) while we calculate the appropriate amount of reclamation surety during the processing of his Large Mining Operation (LMO) permit application. We will hand deliver this check to the State Treasurer's Office for appropriate processing. The check will be deposited into an account on behalf of Oil, Gas and Mining at Zions Bank with your co-signature. The BLM will retain full rights and access to this bond, but depositing it will ensure its safety.

There are several issues surrounding this mine and its attendant surety that I wish to raise. The first involves the third party certified cost estimate from a registered engineer. Mr. Doug Jones, an engineer with JBR Consultants is presently preparing the Large Mining Operation/Plan of Operations (POO) permit application for this operation which is due in this week. We expect he will include a detailed reclamation surety estimate with the application package. We believe Mr. Jones is a licensed/registered engineer and given the situation he's working under, could be considered a "third party". The current surety amount (\$14,000) was posted as an "interim" reclamation surety. The dollar amount was agreed upon by both our Minerals Program and the local BLM area (Fillmore) office. This interim surety is to remain in place until the new surety amount for the LMO/POO is agreed upon by both our agencies.

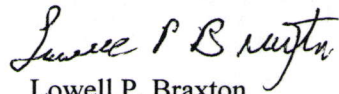
Second, it has been suggested by your office that an addendum to the existing MOU regarding the holding of bonds would be in order. A draft is to be forwarded to your BLM solicitor for comment as well as to our office. We believe there may be other issues we would want to revisit in the MOU in terms of procedure in handling bonding, permitting and non-compliance issues. Thus, we request a meeting prior to any redrafting in order to discuss those issues.

Page 2
G. William Lamb
M/023/042
April 29, 1998

Last, the Division would like to clearly state that this mine, a relatively small mine which has recently gone beyond the five (5) acre Small Mine Operation (SMO) to an LMO, is in the process of complying with two separate agencies. This Division sees no need to penalize an operator for ultimately reaching compliance under this circumstance. At best, our understandings of successive actions, extended patience, and renewed deadlines on the part of BLM have been murky. We would ask that the process of imposing non-compliance in the future move toward flexibility in the face of extremely low risk to the environment. Perhaps our proposed discussions can entertain this issue as well.

Thank you for your response and cooperation on this compliance and bonding matter with Mr. Jensen. I am confident we can learn from this case and improve upon our actions in the future.

Sincerely,

A handwritten signature in cursive script, reading "Lowell P. Braxton".

Lowell P. Braxton
Acting Director

jb
M023042.ltr